

Federal Housing Administration (FHA)

Single Family Housing Programs

Energy Efficient Mortgage Program

Federal mortgage insurance to finance the cost of energy efficiency measures.

Nature of Program: FHA's Energy Efficient Mortgage program (EEM) helps homebuyers or homeowners save money on utility bills by enabling them to finance the cost of adding energy efficiency features to new or existing housing as part of their FHA insured home purchase or refinancing mortgage.

An FHA mortgage may exceed the normal maximum loan limits by the cost of energy efficient improvements, providing those improvements were verified to be cost-effective, meaning that the total cost of the improvements is less than the total present value of the energy saved over the useful life of the energy improvement. The borrower may be qualified for the loan without the additional loan funds used for energy upgrades, but must make a required minimum 3.5 percent cash investment in the property based on the lesser of sales price or appraised value.

The cost of the energy improvements and estimate of the energy savings must be determined by a home energy rating, which may be financed as part of the cost-effective energy package. Energy improvements to an existing home may be installed within a limited time period after the insured loan has closed, depending on the program under which the mortgage is insured. Energy improvements to a newly constructed home must be installed prior to closing. The maximum mortgage amount for a single-family unit depends on its location and is adjusted annually.

Applicant Eligibility: One- to four-unit existing and new properties are eligible.

Legal Authority: Section 513 of the Housing and Community Development Act of 1992 (Public Law 102-550) (42 U.S.C. 12712 note). Regulations are at 24 CFR 203.18(i).

Administering Office: Assistant Secretary for Housing-Federal Housing Commissioner, U.S. Department of Housing and Urban Development, Washington, DC 20410.

Information Sources: Administering office and HUD field offices.

On the Web:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/eem/energy-r

Current Status: Active.